

**May 15, 2006, Agenda Item 5c**  
**Update on Investments in Companies Doing Business in Sudan**

**Attachment 2**  
**February 14, 2006, Agenda Item 6d**

Part C

Attachment 6	December 22, 2005	CalPERS' Letters to ABB, Alcatel, Royal Dutch Shell, Siemens, and Total
Attachment 7	January 20, 2006	Letter to CalPERS from ABB
Attachment 8	January 11, 2006	Letter to CalPERS from Siemens
Attachment 9	January 10, 2006	Letter to CalPERS from Alcatel
Attachment 10	January 13, 2006	Letter to CalPERS from Royal Dutch Shell



**Investment Office**

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

Tel: 916-795-3818

December 22, 2005

Mr. Fred Kindle

Chief Executive Officer

ABB Ltd.

Affolternstrasse 44

Zurich, CH-8050

Dear Mr. Kindle:

The CalPERS Investment Committee is required to exercise its fiduciary duty to manage and diversify the \$200 billion in assets entrusted to them. This must be done with the care, skill and diligence of a prudent person, so as to maximize investment returns and minimize the risk of loss. In light of the tragic events in Sudan, the CalPERS Investment Committee is pursuing a strategy to engage relevant parties to ascertain the risk to the CalPERS investment portfolio from its holdings in companies doing business in Sudan. As part of this engagement strategy, CalPERS staff has been working with the management of five companies which includes ABB Ltd. to better understand their business operations and the inherent risks to the company of doing business in Sudan.

A report was provided to the CalPERS Investment Committee on December 12, 2005 updating them on the engagement strategy. CalPERS Investment Committee approved a motion asking staff to approach ABB Ltd. and demand the company to cease operations in Sudan. Staff is also instructed to make another report to the Investment Committee at its February 2006 meeting.

This action should be viewed as a continuation of the original engagement strategy for our Sudan initiative. We think it is appropriate to give senior management of ABB Ltd. an opportunity to respond to the CalPERS Investment Committee. We would welcome a written response to this matter from you by January 21, 2006.

Please do not hesitate to contact me at (916) 795-3818 or Christianna Wood, Senior Investment Officer-Global Equities at (916) 795-0209, if there are questions.

Regards,

Anne Stausboll  
Interim Chief Investment Officer



**Investment Office**

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

Tel: 916-795-3818

December 22, 2005

Mr. Serge Tchuruk  
Chief Executive Officer  
Alcatel SA  
54 Rue La Boétie  
Paris, France-75008

Dear Mr. Tchuruk:

The CalPERS Investment Committee is required to exercise its fiduciary duty to manage and diversify the \$200 billion in assets entrusted to them. This must be done with the care, skill and diligence of a prudent person, so as to maximize investment returns and minimize the risk of loss. In light of the tragic events in Sudan, the CalPERS Investment Committee is pursuing a strategy to engage relevant parties to ascertain the risk to the CalPERS investment portfolio from its holdings in companies doing business in Sudan. As part of this engagement strategy, CalPERS staff has been working with the management of five companies which includes Alcatel SA to better understand their business operations and the inherent risks to the company of doing business in Sudan.

A report was provided to the CalPERS Investment Committee on December 12, 2005 updating them on the engagement strategy. CalPERS Investment Committee approved a motion asking staff to approach Alcatel SA and demand the company to cease operations in Sudan. Staff is also instructed to make another report to the Investment Committee at its February 2006 meeting.

This action should be viewed as a continuation of the original engagement strategy for our Sudan initiative. We think it is appropriate to give senior management of Alcatel SA an opportunity to respond to the CalPERS Investment Committee. We would welcome a written response to this matter from you by January 21, 2006.

Please do not hesitate to contact me at (916) 795-3818 or Christianna Wood, Senior Investment Officer-Global Equities at (916) 795-0209, if there are questions.

Regards,

Anne Stausboll  
Interim Chief Investment Officer



**Investment Office**

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

Tel: 916-795-3818

December 22, 2005

Mr. Jeroen van der Veer  
Chief Executive  
Royal Dutch Shell Plc  
Carel van Bylandtlaan 16  
2596 HR The Hague  
The Netherlands

Dear Mr. van der Veer:

The CalPERS Investment Committee is required to exercise its fiduciary duty to manage and diversify the \$200 billion in assets entrusted to them. This must be done with the care, skill and diligence of a prudent person, so as to maximize investment returns and minimize the risk of loss. In light of the tragic events in Sudan, the CalPERS Investment Committee is pursuing a strategy to engage relevant parties to ascertain the risk to the CalPERS investment portfolio from its holdings in companies doing business in Sudan. As part of this engagement strategy, CalPERS staff has been working with the management of five companies which includes Royal Dutch Shell Plc to better understand their business operations and the inherent risks to the company of doing business in Sudan.

A report was provided to the CalPERS Investment Committee on December 12, 2005 updating them on the engagement strategy. CalPERS Investment Committee approved a motion asking staff to approach Royal Dutch Shell Plc and ask directly if any of the fuel sold at the service stations operated in Sudan by Royal Dutch Shell, Plc. is going to the military or government of Sudan. Staff is also instructed to make another report available to the Investment Committee at its February 2006 meeting.

This action should be viewed as a continuation of the original engagement strategy for our Sudan initiative. We think it is appropriate to give senior management of Royal Dutch Shell Plc an opportunity to respond to the CalPERS Investment Committee. We would welcome a written response to this matter from you by January 21, 2006.

Please do not hesitate to contact me at (916) 795-3818 or Christianna Wood, Senior Investment Officer-Global Equities at (916) 795-0209, if there are questions.

Regards,

Anne Stausboll  
Interim Chief Investment Officer



**Investment Office**

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

Tel: 916-795-3818

December 22, 2005

Mr. Klaus Kleinfeld  
Chief Executive Officer  
Siemens AG  
Wittelsbacherplatz 2  
Munich, D-80333

Dear Mr. Kleinfeld:

The CalPERS Investment Committee is required to exercise its fiduciary duty to manage and diversify the \$200 billion in assets entrusted to them. This must be done with the care, skill and diligence of a prudent person, so as to maximize investment returns and minimize the risk of loss. In light of the tragic events in Sudan, the CalPERS Investment Committee is pursuing a strategy to engage relevant parties to ascertain the risk to the CalPERS investment portfolio from its holdings in companies doing business in Sudan. As part of this engagement strategy, CalPERS staff has been working with the management of five companies which includes Siemens AG to better understand their business operations and the inherent risks to the company of doing business in Sudan.

A report was provided to the CalPERS Investment Committee on December 12, 2005 updating them on the engagement strategy. CalPERS Investment Committee approved a motion asking staff to approach Siemens AG and demand the company to cease operations in Sudan. Staff is also instructed to make another report to the Investment Committee at its February 2006 meeting.

This action should be viewed as a continuation of the original engagement strategy for our Sudan initiative. We think it is appropriate to give senior management of Siemens AG an opportunity to respond to the CalPERS Investment Committee. We would welcome a written response to this matter from you by January 21, 2006.



Please do not hesitate to contact me at (916) 795-3818 or Christianna Wood, Senior Investment Officer-Global Equities at (916) 795-0209, if there are questions.

Regards,

Anne Stausboll  
Interim Chief Investment Officer



**Investment Office**

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

Tel: 916-795-3818

December 22, 2005

Mr. Thierry Desmarest  
Chief Executive Officer  
Total SA  
2 Place De La Coupole  
La Defense 6  
Paris La Defense, 92078

Dear Mr. Desmarest:

The CalPERS Investment Committee is required to exercise its fiduciary duty to manage and diversify the \$200 billion in assets entrusted to them. This must be done with the care, skill and diligence of a prudent person, so as to maximize investment returns and minimize the risk of loss. In light of the tragic events in Sudan, the CalPERS Investment Committee is pursuing a strategy to engage relevant parties to ascertain the risk to the CalPERS investment portfolio from its holdings in companies doing business in Sudan. As part of this engagement strategy, CalPERS staff has been working with the management of five companies which includes Total SA to better understand their business operations and the inherent risks to the company of doing business in Sudan.

A report was provided to the CalPERS Investment Committee on December 12, 2005 updating them on the engagement strategy. CalPERS Investment Committee approved a motion asking staff to monitor Total SA's ongoing activities in Sudan. Staff is also instructed to make another report to the Investment Committee at its February 2006 meeting.

This action should be viewed as a continuation of the original engagement strategy for our Sudan initiative. Please do not hesitate to keep us apprised of any changes from your current status of operation in Sudan

Please do not hesitate to contact me at (916) 795-3818 or Christianna Wood, Senior Investment Officer-Global Equities at (916) 795-0209, if there are questions.

Regards,

Anne Stausboll  
Interim Chief Investment Officer

20.000 2000 17.12  
NO. 0311 1. 2

GARY STEEL  
EXECUTIVE VICE PRESIDENT OF ABB LTD  
MEMBER OF THE GROUP EXECUTIVE COMMITTEE  
HEAD OF HUMAN RESOURCES

Attachment 7

January 20, 2006

Dear Ms Stausboll

I am responding to your letter of December 22, 2005 about the CalPERS Investment Committee's decision to ask ABB to cease business operations in Sudan.

I would like to make it clear that we are not intending to cease business activities in Sudan. As we have already outlined in detail to CalPERS both at a meeting in October 2005 in Connecticut and during telephone conversations, we firmly believe that ABB is a force for good in Sudan; that our business, which focuses almost entirely on electrical transmission and distribution equipment for the Merowe dam project, is supporting infrastructure development and the right to power – and the benefits that this brings.

As you know, ABB is involved in wide-ranging stakeholder dialogue about our business activities in Sudan. In Sudan itself, this has involved NGOs, government officials, diplomats, and other international organizations and international companies. Their advice to us has been unanimous: stay in Sudan to help the country's development of its economic and social infrastructure, support the coalition government in its efforts to return the country to peace and prosperity. To cease business activities, they tell us, would be to undermine the positive steps that have been taken over the past year.

Our stakeholder dialogue is ongoing inside the country and elsewhere. As you know, we have also been consulting Amnesty International and an international human rights expert. We have also been discussing this within international initiatives such as the Business Leaders Initiative on Human Rights (BLIHR) and the UN Global Compact.

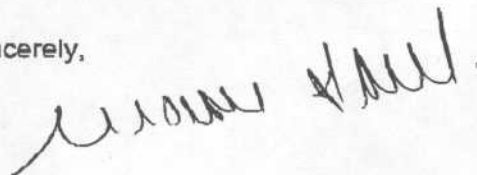
CalPERS and ABB share a common objective: to help the people of Sudan. But we disagree as to the means. ABB firmly believes constructive engagement and support is the right path.

An ABB delegation will again be in Sudan early in February to advance an ABB-initiated proposal for a stakeholder forum on governance issues and foreign investment. This forum is likely to be held under UN auspices at the end of March in the capital, Khartoum. A number of stakeholders are expected to attend. We would like to invite you to send a representative as an observer, so you can also talk to the stakeholders. If you would like to attend, we will be pleased to pass on an invitation when we know the exact dates, and will let you know who is attending. If you are unable to attend, we could provide you with details of what occurred at the meeting.

In your report published on the CalPERS Web site into the five companies you are targeting you write: "...staff has not uncovered any evidence in support of the conclusion of wrongdoing on the part of these companies." We believe you would also receive interesting views and perspectives first-hand at the Khartoum meeting which may help you to formulate policy.

As we have already indicated, ABB is also prepared to attend a CalPERS Board meeting for further discussions or meet with individual members should they be attending the World Economic Forum in Switzerland at the end of this month. We believe ongoing dialogue to be worthwhile.

Sincerely,

A handwritten signature in dark ink, appearing to read "Steven Hall", written in a cursive style.

HEINZ-JOACHIM NEUBÜRGER

EXECUTIVE VICE PRESIDENT  
CHIEF FINANCIAL OFFICER  
SIEMENS AKTIENGESELLSCHAFT

postal address:  
80312 MUNICH

office address:  
WITTELSBACHERPLATZ 2  
80333 MUNICH

TEL. (089) 636-34400  
FAX (089) 636-34404

CalPERS Investment Office  
Ms. Anne Stausboll  
Interim Chief Investment Officer  
P.O. Box 2749  
Sacramento, CA 95812-2749

U.S.A.

January 11, 2006

Dear Ms. Stausboll,

Many thanks indeed for your letter of Dec 22<sup>nd</sup>, 2005. Obviously, we are disappointed to learn about CalPERS Investment Committee's motion to demand that Siemens ceases its operation in Sudan.

As we have outlined in earlier communication with you, Siemens firmly believes that its activities in Sudan are conducted in full compliance with US guidelines and various international norms. To our understanding the guidelines of the US administration are based on Senator Danforth's recommendation. He calls for "constructive engagement" and is convinced that "part of the resolution of the situation in Sudan has to include the economic development of the country". In this connection we also take note of the position of the NFTC as reflected in the enclosure.

We have also pointed out the dilemma we would face in case of a withdrawal from Sudan, given the responsibility we feel towards our Sudanese employees. We would be equally concerned that they might seek redress in US courts and through media coverage if we were forced to let them go on account of CalPERS' demand.

Similarly, based on provision of the German Stock Corporation Law, other investors may demand exactly the opposite from us, i.e. to continue our operations in Sudan,

and threaten legal action if we would concede to CalPERS' demands. All this would ultimately make it impossible for any company to manage its business in the best interest of all shareholders, but also all its other stakeholders.

Siemens takes its corporate responsibility very seriously; also, we aspire to be a good corporate citizen in all countries we are operating in because such approach has allowed us to succeed over the company's 158 years history. This approach will, therefore, also guide us in the future. This operational framework of Siemens is presented comprehensively on our web page and very likely will have played an important role in CalPERS' initial decision to invest in Siemens shares. Therefore, we call on CalPERS Investment Committee to appreciate our reasoning, while we fully respect and share its concerns in respect to the Dafur situation, and all similar situations elsewhere around the world.

Please do not hesitate to contact us in case there are additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Müller", with a stylized flourish at the end.

encl.

# NATIONAL FOREIGN TRADE COUNCIL, INC.

1625 K STREET, NW, WASHINGTON, DC 20006-1604

TEL: (202) 887-0278



FAX: (202) 452-8160

April 12, 2005

Honorable Albio Sires  
Speaker New Jersey Assembly  
Majority Office  
State House  
P.O. Box 098  
Trenton, NJ 08625

Dear Mr. Speaker:

It has come to the attention of the National Foreign Trade Council (NFTC) that the New Jersey Assembly has passed A. 3482, requiring public pension fund managers to divest holdings in foreign entities with business activities in Sudan.

While the situation in Darfur is undoubtedly tragic, the U.S. business community opposes the politicization of U.S. capital markets. In the case of Sudan, American firms are currently banned by executive order from trade and investment. Foreign firms listed on U.S. security exchanges currently disclose investment information "material to the reasonable investor" as prescribed by the Securities and Exchange Commission and this standard has evolved over decades.

Divestment will not likely change the behavior of the Sudanese regime and will ultimately harm U.S. investors. Companies that lose access to U.S. capital markets and investors for political and social reasons will simply turn to other global capital markets for funds. U.S. capital markets will be affected as global companies avoid them for fear of being the next target of market sanctions in the U.S. In addition, foreign governments may seek to retaliate by barring certain U.S. companies from listing on exchanges abroad or prohibiting pension fund investment in U.S. companies by foreign investors based on their own political motives.

Moreover, we believe that this provision may be unconstitutional. In its *NFTC vs. Crosby* ruling, the Supreme Court found that state and local laws relating to foreign policy that are implemented in addition to federal sanctions on the same country intrude upon the exclusive power of the national government to regulate foreign affairs, discriminate against companies engaged in foreign commerce, and subvert the policies and objectives of the federal sanctions regime:

It is implausible to think that Congress would have gone to such lengths to empower the President had it been willing to compromise his effectiveness by allowing state or local ordinances to blunt the consequences of his actions. (*Crosby v. NFTC*, 2000)

The precedent created by this ruling has resulted in the revocation or suspension of many previously enacted selective purchasing restrictions on Burma at the state and local level over the past five years. In this case, federal policy toward Sudan is clearly articulated under Executive Orders, primarily 13067, dating back to 1997 and more recently with the passage in 2002 of the "Sudan Peace Act" (Public Law No: 107-245).

The NFTC represents the interests of hundreds of companies in support of open international trade, and as the sponsor of the USA\*Engage coalition, opposes counterproductive unilateral sanctions. America's values, security and prosperity are best advanced by sustained public and private sector involvement in world affairs. Engagement at all levels - political, economic, religious, educational and cultural - is the best tool to advance America's interests overseas. Local sanctions cut off engagement and undercut efforts to attract international investment that supports jobs and economic growth. Furthermore, the world's challenges require strong American leadership, and to lead the United States must speak with one voice. Local sanctions frustrate cooperation with U.S. trading partners who frequently view them as a violation of U.S. international commitments.

The Assembly's actions do not conform to the Supreme Court's finding in *NFTC vs. Crosby* and threaten U.S. capital markets. As a voice for over 550 U.S. manufacturing corporations, financial institutions and other U.S. firms having substantial international operations or interests, the NFTC urges you to withdraw the legislation previously adopted by your chamber, both in the interest of international engagement and in accordance with our Constitution.

Sincerely,

William A. Reinsch  
President, NFTC



Le Président Directeur Général

54, rue La Boétie  
75411 Paris Cedex 08  
France  
Tél. : + 33 (0)1 40 76 10 10  
Fax : + 33 (0)1 40 76 14 00

Ms. Anne Stausboll  
Interim Chief Investment Officer  
CalPERS  
P.O. Box 2749  
Sacramento, CA 95812-2749  
United States of America

Paris, January 10<sup>th</sup>, 2006

Dear Ms. Stausboll,

In your letter dated December 22<sup>nd</sup>, 2005, you provided an opportunity for Alcatel to respond to the CalPERS Investment Committee.

As I explained to Mark Anson, Chief Investment Officer at that time, during our meeting on November 21<sup>st</sup>, 2005, Alcatel is a telecommunication solutions provider involved in business partnerships in more than 130 countries. As a general statement, we consider that participating in the enhancement of the communication capabilities of a country can only benefit the country's economy, by promoting the development of the population's cultural level and ultimately its capacity to evolve to democracy. We do not believe that keeping a population in a situation of isolation from worldwide communications, especially in the era of the internet, can be considered as a way to promote human rights.

In the specific case of Sudan, ceasing our operations would definitely remove the opportunity for the population to make their problems known worldwide and would make Alcatel feel accomplice in human rights abuse. If the country was left completely isolated from the communications network of the planet, no-one would even know about the tragedy in the Darfur.

Although my colleagues at the board of directors and I fully agree that the global situation in Sudan is of utmost concern to all responsible members of society, we feel that your Investment Committee's demand to "cease our operations in Sudan" is not adapted to our actual role in this country: we have delivered telecommunication equipment there, which again is directly beneficial for the promotion of human rights, we have in no way "invested" to help the government.

I am convinced Alcatel's engagement policy, its ethics policy, its statement on business practices and its membership to the United Nation Global Compact reflect our commitment to support and respect the protection of internationally proclaimed human rights.

Please count on my support to work together with you on this important issue.

Yours sincerely,



Serge Tchuruk





## Royal Dutch Shell plc

A. Stausboll – Interim Chief Investment Officer  
Calpers Investment Office  
PO Box 2749  
Sacramento, CA 95812-2749  
United States

Carel van Bylandtlaan 30  
2596 HR The Hague  
The Netherlands  
Tel +31 70 377 2715  
Fax +31 70 377 2780  
Internet <http://www.shell.com>

13 January 2006

Re. Your letter dated 22 December 2005/ Sudan question

Dear Mr Stausboll,

On behalf of Royal Dutch Shell plc, I am responding to your (follow-up) letter dated 22 December 2005, in which you question the destination of fuel sold at Shell operated service stations in Sudan.

We can confirm that in 2005 none of Shell Sudan's sales volume sold through Shell operated service stations were sold to the government of Sudan.

We would like to add that besides the service station volumes to which your question refers, in 2005 Shell sold a very small and immaterial amount (<4% of total volumes sold in Sudan) directly to the government of Sudan.

We divested our Aviation business in Sudan on 1 August 2005. Prior to that, Shell was not refuelling military aircraft in Sudan because a few years ago, we adopted a policy of "non fuelling of military aircraft" due to our concerns that some actions of the Sudanese air force were not in line with our commitment on human rights. Shell staff were instructed not to supply military aircraft under any circumstances, and to report any duress case. No such cases happened.

If you have any further questions or if you require any further assistance, please do not hesitate to contact the undersigned.

Yours sincerely,

Jeroen van der Veer

Chief Executive Royal Dutch Shell plc